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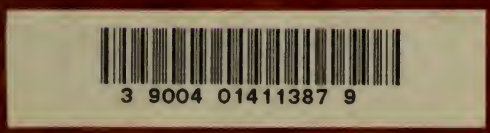

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MEMORANDUM

RELATIVE TO THE

PRESENT POSITION

OF THE

ONTARIO, SIMCOE AND HURON

RAILROAD UNION COMPANY,

AND

SUGGESTIVE OF PARLIAMENTARY MEASURES OF RELIEF.

PREPARED FOR THE INFORMATION OF THE HONOURABLE THE EXECUTIVE COUNCIL AND THE LEGISLATURE.

TORONTO:
BLACKBURN'S CITY STEAM PRESS.

1858.

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MEMORANDUM.

The Ontario, Simcoe, and Huron Union Railroad Company, was incorporated under 12th Victoria, Cap. 196, to which the Royal assent was given, on the 30th January, 1849.

The Contract for the construction of the Road was signed on the 24th December, 1850, and it was opened for Traffic in Three Divisions, at the following dates respectively :—

1st, 42 miles on the 13th June, 1853.
2nd, 63 miles on the 11th October, 1853.
3rd, and finally throughout, 2nd January, 1855.

The length of the Road, inclusive of Branches and Double Track, is $99\frac{1}{10}$ miles, served by 24 Stations, with all necessary Offices, Engine Houses, and Machine Shops, and an equipment of 17 Locomotives and 297 Cars, of all classes, in running order.

In addition to the foregoing, the Company is possessed of Harbour Works, Hotel at Collingwood, Timber Land, and other Real Estate, valued on a low estimate, at $473,200, and other property in Plant, Stores, &c., valued at $524,875 : 58.

The Total Capital of the Company, is $4,382,230, represented as follows :—

Paid up Stock,.....	$ 823,530 : 50
Government Lien,.....	2,311,666 : 67
Mortgage Bonds,.....	253,066 : 66
Company's Bonds—all other Classes,	993,966 : 67
Total Capital,.....	$4,382,230 : 50

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The Total Floating Liability of the Company, exclusive of Interest on Government Lien; but inclusive of Interest on Company's Bonds, to 1st July, 1858, is $376,038 : 22.

This Road was the first constructed, and the first opened for Traffic in Upper Canada. Thus in its constructional cost, it had to contend with all the difficulties inseparable from enterprises entirely new to the Country; and that, too, at a time when local capital sought no such investments, and the Provincial credit had not yet been firmly established. To these causes may be attributed a very considerable margin on the Contract prices computed on a cash basis, although the actual mileage expenditure has been below the outlay on other Canadian Roads subsequently constructed. In the absence of a cash capital, the constructional cost was necessarily met by the issue of Bonds of the Company, augmented by those of the Government to the amount above stated; and it is to be noted, that this description of payment whilst it increased the cost of the works, (for, even Provincial Debentures were, at the date of the Contract, quoted at a Discount,) also involved the Company in the liquidation of heavy interest during the period of construction, (this item representing an expenditure of $450,761 : 19.—$258, 786 : 68 having been paid before the road was opened,) thus tending to swell the capital account, and by hampering its early revenues to involve the Company in immediate financial embarrassment, from which it has since continued to suffer.

Nor was the expenditure confined to those practical services usually comprehended in Railway construction. Important and costly Harbour works have been successfully executed to obvious public advantage, but without special charge to the Province.

Finally, the Road having been completed and opened for Traffic, it became necessary to organize the "Through Route" for the Western Trade by Upper Lake Steam Connections; and as such route was new, and competitive with all the existing and powerful

American Lines of Transit, and during its initiation, was of course of a speculative character, its establishment involved the Company in large special expenditure, to be justified by the revenues of future years on an established trade.

All these services, novel and supplementary in their character, have gradually tended to involve the Company in Financial embarrassment; to cripple its operations by the creation and pressure of a floating debt,—to weigh down income by charges properly due to capital,—to deprive the Road of the ability to earn the revenues, which if free, it could amply and profitably command,—and as the result to suspend payment of interest on its funded capital, and postpone those works of current repair and restoration necessary to its full maintenance.

To these embarrassments alone is to be attributed the suspension of the "Through Route," during the season of 1857; for although the route had fully approved itself in the transactions of previous years, the financial inability of the Company resulted in the weakening of its Lake connections, and in a natural hesitation on the part of the proprietors of Lake craft, and of forwarders to continue efficient combinations.

Thus, it will be seen, that to the immediate pressure of the floating debt, as such, is to be added its contingent results, (disastrous by their growth,) in the suspension of the Through Route and its revenues, in the depreciation of the Road, and therein the augmented cost of its operation, in the outlay due to floating finance and accumulating interest upon its items, and to the increased expenditure always attending impaired credit and straightened means.

Accordingly, since the suspension of the Through Route, at the close of the season, 1856, the Road has been dependant on the revenues derivable from Way traffic alone; which, although they have been sufficient to the payment of working expenses and to

a partial liquidation of floating indebtedness, have been unequal alike to payment of interest on the secured capital, and to that full maintenance of the works of the Company, which, under more favourable circumstances, should have been secured.

After every effort which the most anxious solicitude could suggest, or the most rigid economy could strengthen, the Direction is impelled to the conviction, that so long as these embarrassments continue, so long will the expenses of working be maintained; the depreciation of the works continue comparatively unchecked; the revenue be limited to local sources; and as the inevitable result, interest upon the secured capital and the Government lien be impossible, and the Road fail of its full value to the Province and the public.

There is a limit of practical and financial depreciation, below which, no Direction having a proper regard to the public interests and its own responsibility may permit a public work to fall; and although this Railway has hitherto been maintained in a safe condition for public use, the pressure of accumulating embarrassments may at no distant date render impossible those liberal provisions of repair and restoration which are periodically essential to all works of the class; and, inasmuch, as the local revenue is clearly unequal to the accumulated burthen by which it is oppressed, it may become necessary to accept the alternative, so to relieve it as to secure its due maintenance and the re-opening of its most profitable source of earnings, or altogether to suspend its operation. Nor, in the consideration of this question, should it be forgotten, that as on the one hand the Direction practically represents the Provincial as well as private investment, and is charged with the safe and efficient operation of this Railway, so on the other, they are entitled to claim co-operative measures of relief from all the interests, or release from the grave responsibilities attaching to the care of a public work expected to fulfil its purpose, but depressed and embarrassed below the standard of possible efficiency.

To remove these embarrassments and thus re-establish the road to a high standard of public utility and reliable credit, by the suspension of the Government lien, and thereupon to fund the floating debt, put the Route in a condition of permanent efficiency for complete and profitable service, would, it is urged, be justified not alone on grounds of public policy and Provincial credit, but directly by the financial results to the Government itself.

Assuming, for the purpose of illustration, that the Government lien were suspended, and thereupon the necessary amount raised for funding the floating debt, and for the completion, extension, and restoration of the Road services, the whole funded debt of the Company would then be represented in consolidated six per cent. 20 years bonds, holding first charge upon the Road to the following amount, viz. :

1. For Consolidation of existing Bonds of the Company—of all Classes,.....$1,247,033 : 34
2. Extended issue for the funding of floating debt, and for the payment of arrears of interest on Company's Bonds, 376,038 : 22
3. Extended issue for completion, extension, and restoration of Road services, 597,295 : 11

Total funded debt of the Company exclusive of suspended Government lien,.....$2,220,366 : 67

The interest of which, at six per cent per annum, would represent a first charge of $133,222 upon the annual revenue. Now the revenue, *from local sources alone*, for the year ending 1st January, 1858, (during which the through traffic had been suspended,) amounted to $308,769 : 55, which, after deduction of say sixty per cent for working expenses, would yield a nett revenue of $123, 507 : 82, being sufficient to the payment of full dividend on the above secured capital—less $9,714 : 18—as the result of the Way

business alone; but, inasmuch, as the suspension of the Government lien would render possible the further issue of bonds for the removal of the floating debt, and completion and restoration of the works, the "Through Route" would then be established in full efficiency, and the revenues of the Company thereby augmented. Taking the revenue on Through Trade, for the year 1856, viz. :—$44,852 : 98, and that on Way traffic for 1857, $308,769 : 55, we have a gross annual revenue of $353,622 : 53, from which, allowing sixty per cent for working expences, a nett revenue may be estimated at $141,449 : 02, or sufficient to the payment of full dividend on the Company's funded capital, with a balance of $8,227 : 02, to the credit of Stock and Government lien. Remembering that the foregoing statement is based on the actual receipts of the Road, at a period when it was labouring under deep embarrassment, it is fair to anticipate that on restoration to full energy, and with a Through and Local Trade always increasing, the revenue will early suffice to full dividends on the lien.

A reversion of such character is of great and palpable value, and inasmuch as *all* dividend (to the Company's Bond-holders as well as to the Government) is now debarred, the road depreciated, the public credit injured, and a most valuable carrying trade lost to the Province, policy as well as interest would seem to point to the suspension of its lien by the Government. Being a first charge upon the Road, so long as it is maintained in its present position, it will shut out the possibility of raising the means necessary to the efficiency and full development of the route,—it will maintain the floating debt.—debar all measures of liberal and permanent repair,—perpetuate the infliction upon income of charges properly due to capital,—and thus itself chain down the revenue, which if relieved, would quickly yield full return to all the interests.

To leave the Road unaided, will be to sacrifice the Government lien in perpetuity,—to assist it by suspension, will be to secure an early reversion of interest to the public exchequer, and *that*, with-

out any additional outlay whatever from the Provincial funds. But there are other than direct financial reasons, upon which the relief now sought may be urged and justified.

The Northern is a national and not merely a local Road. In this character it, with the Grand Trunk, occupies peculiar ground; for they are the only guarantee Railroads in the Province, constructed for and engaged in a Foreign Carrying and Through Trade; and they are especially the only Through Roads, whose theory is based upon and whose operation is essentially calculated to foster the Atlantic Trade of the St. Lawrence.

It is undeniable, that the Grand Trunk was initiated as a competitive Route for the Through Trade of the West, and with a view to its attraction to the St. Lawrence. Now, it can readily be shown by reliable computations, based upon the actual distances, time and cost of movement of *all the Routes* from Chicago eastward to the Atlantic, whether by Rail, Lake Steamer, or Canal, or either combined.

1. That the Northern Route *via.* Collingwood, Toronto, and Oswego, effects a saving of nearly 9½ dollars per ton, as compared with any *Through* Railroad Route between Chicago and New York City.

2. That the Northern Route, at less cost in rate per ton, affords a saving of time of transit of two days, as compared *with the absolutely cheapest of all the water Routes* between Chicago and New York.

And finally, that the Northern, in combination with the Grand Trunk, affords the *cheapest* and *quickest* of all routes of every class between Chicago and Tide Water of the Atlantic Ocean.

Again, comparing the relative distances, time, and cost of movement over the three routes West from Toronto to Chicago, it will be found that in the carriage of a ton of goods, the Northern possesses an advantage, as with the Great Western of $8 : 45 per ton,

at a loss of 38 hours time; and as with the Grand Trunk of $4 : 80, at a loss of 23 hours; and this exclusive of reduced transhipment.

Under such circumstances, (and they are undeniable,) it is palpable that the Northern can be made to render important aid in attracting the trade of the West to Canadian Territory, and the St. Lawrence Ports,—for by it, the Grand Trunk may be enabled to compete with Through Navigation, and thus secure its proportion of the summer trade; whilst, by availing of Upper Lake Navigation in the Fall, and storing at Collingwood instead of Chicago, grain may be delivered at the Eastern Market cheaper than would be possible by any Through Railroad Route, and thus the winter business of the Grand Trunk be largely augmented.

As then, the efforts of the Canadian Government and Legislature have already been directed towards the building up of the trade of the St. Lawrence; in subsidizing Ocean Steam Ships, in the deepening, lighting, and tug services of the Gulf and River; and finally, in the construction and subsequent relief of the Grand Trunk Railway, it would seem consistent with such policy to provide for the completion and efficiency of this last link in the whole system, by which the competition of the American Routes may be more completely overcome, and new trade be attracted to previous investments, not by further outlay of public capital, but by the mere suspension of a lien now altogether fruitless of dividend.

Nor would the granting of the aid sought by this Company establish a precedent upon which any other roads might claim assistance; for, as has been before observed, the Grand Trunk and Northern are the only Railroads constructed directly under Provincial guarantee, and are the only roads promoted for and engaged in the Through Trade by the Canadian Route.

It has already been conceded by Act of the Legislature, that such guarantee involves the Province in responsibility, and the protection of Canadian credit was a ruling object in recent

measures of relief to that Company. Now the capital of the Northern Company has been insufficient to the full completion of its works, for the efficient establishment and operation of the Through trade, and its revenues (confined to Way business,) have as yet been insufficient to maintain its credit, and render possible the raising of the means requisite to its full development. In the two cases, therefore, there would seem to be exact similitude so far; and the relief properly granted to the one, would appear to be equally due and expedient to the other. But there are special grounds, in this connection, why the claim of the Northern Road is even stronger than that afforded by the precedent of the Grand Trunk; for whilst its mileage cost was less, its mileage revenue on local traffic alone is much higher, and it consequently ensures, by the opening of its Through Trade, a much earlier reversion of interest to the public exchequer on the suspended lien. Moreover, the Province having already deeply embarked in Through Railway Construction and Ocean Steam Service, such a measure of relief, involving no additional Provincial expenditure, will result in the accession of new revenues and increased vitality to the whole scheme, and thereby improve the value of other Provincial investments.

And in illustration of this view, it may be noted, that whilst, in the earlier part of this Memorandum, reference has alone been made to the Northern as a link in the Western carrying trade centering in Chicago, for which the other American and Canadian Routes are specially competitive; this road can command almost to a monopoly, the trade of more Northern Territories, geographically beyond the limit of other Railway attraction. Thus, the trade of Northern Wisconsin and Northern Michigan, (having outlet at the Northern parts of Lake Michigan,) including the drain of the Fox River, with a completed inland navigation of 300 miles, connecting the waters of the Mississippi and the Lakes, all is directly and in the natural course tributary to Collingwood; and may thence be promoted to the Grand Trunk and the St. Lawrence.

So also, and even more palpably, with the trade of Lake Superior, already of great importance, but never yet secured to the Canadian, its most facile and natural route to the Atlantic. Engaging a large Fleet of Lake Craft, (two first-class Steamers and five Propellors from Cleveland alone, and probably as many from Chicago,) it is now directed by a tortuous and costly course over the American Lines, establishing its Depots at Chicago, Detroit, and Cleveland.

That the future of this Lake Superior trade is illimitable, cannot be doubted; a few years, however, will suffice to establish it in American connections, and its diversion even to a better channel may then become impossible, and a valuable trade be lost in perpetuity, which under judicious and efficient measures, (to be promoted by the relief now sought,) might be immediately and most profitably drawn to swell the revenues of all the interests involved in the Canadian Atlantic Route.

It is a significant fact, as bearing upon the whole question of the Canadian Atlantic Route, and as perhaps explanatory of the low revenues hitherto earned by the St. Lawrence Canals; that whilst nature has clearly pointed a course of outlet for the productions of the West in the magnificent chain of waters from Superior to the Gulf; whilst efforts have been liberally and judiciously made to avail of that chain by improvement below and eastward of Niagara to the Straits of Belle Isle; whilst Provincial energy has carried its way from the St. Lawrence to a winter Atlantic port within the territory of another Government and has even extended its credit to the organization and support of an Ocean Line of Steam Ships; the *sources* of the trade to be secured, and by which all was to be justified and rendered profitable, have been comparatively neglected, and adverse interests left in undisputed possession to direct that trade to rival outlets.

Of a Fleet of Trading Vessels navigating the Upper Lakes last year, representing an investment of upwards of forty-six millions

of Dollars, and all or very nearly all engaged in the Through Trade, and of American ownership, but a very small proportion, (so small as to be inappreciable,) was employed or could find engagements in connection with the Canadian Routes. Thus, in the absence of any Canadian Route combining navigation, all these vessels, representing an immense investment of capital, must necessarily continue to direct the Trade to totally distinct interests, rival with the St. Lawrence and tributary to the Canal and Railway system centering in New York.

Now, it is clear, that as water carriage must always be cheaper mile for mile than by rail, the *Through Railway* system does not and cannot enter so closely into the competition for this Carrying Trade, as that which, by the combination of Rail and Navigation can overcome the difference in transit cost of the two systems. And therein is the special value to the Canadian Route of the Northern Railway; which, with 530 miles, (as in connection with Chicago,) of Upper Navigation, by a short span of 94 miles, overcomes not alone the Through Rail American system, but the rivalry of the Water Routes *via* Buffalo, involving an intercepted distance of 300 miles, the light draughts and consequent cost of the St. Clair Flats, and the dangerous navigation of Lake Erie, and the delays and charges of the Welland Canal, thus establishing itself and the remainder of the Route eastward by the Grand Trunk, as the quickest and cheapest of all Routes between Chicago and Tide Water of the Atlantic.

Having regard then to the opportunity which this Route alone can give to the employment of a Fleet of Vessels otherwise fettered to rival interests, as well as to the excellence of the Route itself, the Northern Railway, if relieved, would seem to represent that Western influence which is essential to successful competition, and without which, *at the source of the Carrying Trade*, all efforts to divert it from the American Water and Rail channels, will be comparitively futile, and the eastern provisions of the Canadian Route be left unproductive of their legitimate results.

Finally, it may be proper to refer to the bearing which the Northern Road holds in relation to the settlement of Western Canadian Territory, and to the future trade of the Hudson Bay possessions, now attracting public attention ; for, as its construction has already promoted the sale and settlement of Crown Lands, contiguous to the Georgian Bay, *to the immediate profit of the Province, almost if not entirely equal to the Provincial expenditure upon the Road by guarantee ;* so, by measures of relief, and without further Provincial outlay, it may be made to foster and serve communication with more Westerly Tracts, and to open a trade, which under less efficient service may seek directly Southern Channels, and by connecting American and forsaking Canadian connections, may divert the Commercial future of that Territory from this Province in perpetuity.

It is submitted, in brief résumé of the views above set forth.

1. That the Northern Railroad, in consequence of the early date of its construction, and therein of the peculiar character of its capital, of the extent of its supplementary services in Harbour construction, and the initiation of a new competitive Western Route, has become so far involved, as to render its full completion, liberal maintenance and efficient operation impossible under the existing pressure of its embarrassments.

2. That these embarrassments and the incompleted condition of its works have resulted in the suspension of its "Through Route," and the consequent contraction of its revenues to local sources alone ; whence has resulted the inability of the Company to maintain its credit by payment of interest on its funded capital.

3. That by a measure of relief, similar to that granted by the Legislature to the Grand Trunk Railway, viz. :—by suspension of the Government Lien, this Company would be immediately enabled to complete its works, and to establish the Road and Through Route in an efficient condition for public and profitable use.

4. That such relief would be founded upon and justified by precedent, and the opening of a Through Route of unequalled cheapness and excellence, essential to the competitive power of the Canadian Route as a whole, and productive of advantages to the Atlantic Trade and Emigrant transit of the Province, otherwise impossible of attainment.

That it would conduce to additional revenues to other Provincial investments, and whilst the maintenance of the lien in its present position will deprive not only the Province, but foreign creditors of all dividend in perpetuity, its suspension will so extend and restore its trade as to secure immediate profits sufficient to payment of interest on its Funded Capital, with an immediate balance to the credit of the Provincial guarantee, to be augmented by increased revenues accruing from the growth of its trade, and the efficiency of its works.

5. That by such a measure of relief, no new burthen will be created, as no new expenditure of Provincial funds or use of Government credit will be required; whilst the existing lien will be improved in value, by being established for early partial dividend, with subsequent full reversion,—either being impossible by any other course.

6. That failing such relief, the Road cannot, with due regard to public use and safety, be much longer operated; and as the responsibility of the Direction is mainly in the service of the Province, and of the Bondholders, it may not be extended in the absence of co-operation from the sources chiefly interested.

FRED. CUMBERLAND,

Vice-President.

O. S. & H. R. R.

Toronto, 10th April, 1858.